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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

FREE SPEECH SYSTEMS LLC,) CASE NO: 22-60043-cml
) Houston, Texas
)
Debtor.) Monday, November 27, 2023
) 2:02 PM to 4:48 PM
-----)
) CASE NO: 22-33553-cml
ALEXANDER E. JONES,)
)
Debtor.)
-----)

TRIAL

BEFORE THE HONORABLE CHRISTOPHER M. LOPEZ
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For Free Speech) **RAYMOND BATTAGLIA**
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15 Also Present **ALEX E. JONES**
16 **PATRICK MCGILL**
17 **ALINOR STERLING**
RYAN CHAPPLE
ROBERT SCHLEIZER

18 Court Reporter: UNKNOWN

19 Courtroom Deputy: UNKNOWN

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1 know, they're still discussing, but they're -- will be back
2 in here shortly.

3 THE COURT: Okay. No worries. I'm just going to
4 sign the order. I'm completely fine. Working on the
5 rejection order, so we're all good. Just give me one
6 minute.

7 Okay, why don't somebody tell me where we are?

8 MR. BATTAGLIA: I think the mutual Debtors'
9 decision is to ask the Court to approve the rate of pay in
10 the cash collateral order and to present evidence.

11 THE COURT: Okay. Let's go.

12 MR. BATTAGLIA: And so I would call Patrick
13 Magill.

14 THE COURT: Okay. Magill, can you please raise
15 your right hand? Do you swear to tell the truth, the whole
16 truth, and nothing but the truth?

17 THE WITNESS: I do.

18 THE COURT: Okay. Please be seated and I will let
19 the record reflect that the witness has been duly sworn in.

20 DIRECT EXAMINATION OF PATRICK MAGILL

21 BY MR. BATTAGLIA:

22 Q Good afternoon, Mr. Magill. Can you tell the Court
23 what your role is in this case?

24 A Chief restructuring officer of Free Speech Systems.

25 Q And what are your duties in that connection?

1 A I manage the bankruptcy process and I am -- run the
2 business. I'm chief operating officer of the business.

3 Q What is your role in connection with the compensation
4 of employees?

5 A Day-to-day operations include the review of all
6 expenses including salaries and duties.

7 Q Have you, outside of Free Speech Systems, been a CRO or
8 a CEO of other businesses?

9 A Yes.

10 Q And have you had experience in that capacity in the
11 retention and compensation of employees?

12 A Yes.

13 Q How many employees have you managed, would you say,
14 over the last dozen years or so?

15 A A thousand.

16 Q You're familiar with what Mr. Jones' role is with Free
17 Speech Systems, are you not?

18 A Yes.

19 Q Can you tell the Court how important he is to the
20 operations of Free Speech Systems?

21 A He's in a role -- without Alex Jones in Free Speech
22 Systems, there is no Free Speech Systems. So he is the one
23 individual in the company that's indispensable.

24 Q And have you conducted an analysis of gross revenue
25 generated by the business when Mr. Jones is not on the air?

1 A Yes.

2 Q And what has your analysis concluded?

3 A When Alex is not in the studio on the air, we suffer
4 about a 40 percent reduction in revenues day-to-day.

5 Q And that's on short term or long term?

6 A It really doesn't matter. It's usually long term. If
7 he's gone for a week to ten days, let's say he's on
8 vacation, there's a significant reduction in revenues.

9 Q Do you know what Mr. Jones's compensation historically
10 has been from Free Speech Systems?

11 A It usually has run on a salary basis. It runs in the
12 600 range. In the profit sharing, as he was experiencing
13 when he was not in bankruptcy, several million dollars a
14 year. It's ranged on the low end, you know, \$4 million
15 total compensation. I believe there was one year where he
16 had about an \$8 million compensation.

17 Q Is it extraordinary for a small business owner to take
18 compensation in multiple forms?

19 A No, it's very common for any -- someone, particularly
20 for tax purposes, to take a salary, a reasonably modest
21 salary for pick up purposes and then to take bonuses or
22 profit share at the end of the year or during the year.

23 Q What's --

24 A It's very common.

25 Q What's Mr. Jones's current rate of -- prior to

1 November, rate of pay?

2 A Prior to November --

3 Q 2023.

4 A -- 2023, I believe he was making roughly \$540,000 a
5 year, 560, something in that range.

6 Q \$20,000 a pay --

7 A \$20,000 biweekly.

8 Q And do you know how that number came to be?

9 A I really don't. That was set about the time that I
10 showed up in October, so that was basically the pay that he
11 had when I arrived.

12 Q Do you believe that's an appropriate rate of
13 compensation?

14 A No.

15 Q Why not?

16 A I believe it's too low. I mean, the pay represents a
17 small amount relative to the revenues that is generated 100
18 -- virtually 100 percent of all the revenues of Free Speech
19 is a direct relation shift to Alex's effort. So, we
20 estimate this year we'll do about \$30 million in revenue.
21 So, our -- my position was at the time that that was
22 significantly lower than it should have been. And taking
23 into consideration his gross compensation in years past, it
24 was a fraction of what he used to make.

25 Q How many hosts are there for the broadcast on Infowars?

1 A There are three.

2 Q And who are they?

3 A They're Harrison Schmidt and Owen Shroyer.

4 Q And Mr. Jones?

5 A And Mr. Jones.

6 Q Mr. Shroyer been broadcasting for the last 30 days?

7 A No. He has been a host of the federal government.

8 Q What effect has that had on the estate's ability to
9 generate revenue?

10 A Well, let's put a crimp on us. We've had to do some
11 substitute hosting. We've moved some people around. We
12 have a pretty -- we run a pretty lean ship at Free Speech,
13 so we have a pretty thin bench for talent like that. So
14 we've managed to get by with two hosts and some substitute
15 hosts.

16 Q But in terms of revenue, have you noticed a meaningful
17 decline in revenue with Mr. Shroyer's absence?

18 A There has been some decline, yes.

19 Q With respect to current payroll, how are employees
20 paid? In advance, in arrears?

21 A They're paid in arrears.

22 Q So if the Court were to approve the payment that's
23 proposed in the cash collateral order, is that an inducement
24 for Mr. Jones to stay?

25 A No.

1 you're saying, I'm going to triple how much I'm going to pay
2 him every two weeks? That's your position here, because
3 it's just the right thing to do. It has nothing to do with
4 him --

5 A It's good business.

6 Q Why is it good business?

7 A I've explained this to you. I'll try to do this again.
8 when you have a staff and you have people that are working
9 for you in this business, you need to make sure that you're
10 not only competitive, you don't wait for people to threaten
11 to leave or to leave. You're proactive in the way you do
12 things. In the case of Alex Jones, it was very clear that
13 this is a half a million dollars a year for a man who
14 contributes 100 percent of the revenue of the business
15 needed to have a pay adjustment. I do not wait until
16 there's a fire alarm or somebody threatens to quit in order
17 to be able to fix the problem. I try to fix the problem
18 before it happens.

19 Q Sir, you said he didn't need to pay adjustment earlier.
20 You said it's very common for business owners to take a
21 small salary and then get a percentage of the profits. That
22 was very normal.

23 A That was -- that's normal when you're not in
24 bankruptcy, yes.

25 Q It's also normal when you're not the owner of the